

Message Text

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12

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 IGA-01 OIC-02

DODE-00 PM-04 NSC-05 SS-15 H-02 /096 W

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R 290420Z AUG 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 5160

INFO JMDMBASSY BANGKOK 5358

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

CINCPAC

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ALSO PASS AID

CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: EAID, EFIN, LA

SUBJ: FEOF: POSITIONS OF DONORS AND PGNU ON IMF REVIEW

REF: A) VIENTIANE 5400 (NOTAL)

B) VIENTIANE 5171 (NOTAL)

C) VIENTIANE 5059 (NOTAL)

SUMMARY: UNDER BRITISH CHAIRMANSHIP, FEOF DONORS HAVE
MADE MILD EFFORTS TO IMPRESS ON PGNU IMPORTANCE OF REVIEW
OF LAO ECONOMIC SITUATION, TO BE CONDUCTED WITH IMF
PARTICIPATION. HOWDVER, AT LEAST TWO OF THE THREE DONORS
WHICH HAVE YET TO COMPLETE CY 75 DEPOSITS -- AUSTRALIA
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AND FRANCE -- WILL DEPOSIT REMAINDER WHETHER REVIEW

TAKES PLACE OR NOT. PGNU CONSULTED DONORS ON EVE OF ITS DELEGATION'S DEPARTURE FOR IMF ANNUAL MEETING IN WASHINGTON, BUT THERE WAS NO CLUE TO PRESENTATION DELEGATION WILL MAKE IN WASHINGTON. APART FROM EVENTUAL IMPLEMENTATION OF GASOLINE RATIONING, WHICH STILL UNDER STUDY, AND SALARY CUTS FOR MILITARY AND CIVIL SERVICE, WHICH ARE MORE POLITICAL THAN ECONOMIC IN MOTIVATION, PGNU HAS APPARENTLY DONE NOTHING YET TO ADAPT TO REDUCED FX AVAILABILITIES. WOULD WELCOME ANY INFORMATION DEPARTMENT CAN DEVELOP ON LAO PRESENTATION TO IMF. END SUMMARY.

1. ONLY FEOF ACTIVITY LAST THREE WEEKS HAS BEEN EFFORT TO GET PGNU TO APPRECIATE IMPORTANCE OF REVIEW -- WITH IMF PARTICIPATION -- OF ITS ECONOMIC SITUATION AND OF ANY MEASURES IT PROPOSES TO TAKE TO ADAPT TO REDUCED FOREIGN-EXCHANGE AVAILABILITIES. TO THIS END, DONOR ADVISORY BOARD (DAB) CONCERNED ON A MILD NOTE, WATERED DOWN EVEN FURTHER AT FRENCH REQUEST, WHICH BRITISH EMBASSY AS AUGUST CHAIRMAN SENT TO MINISTRY OF FOREIGN AFFAIRS ON AUGUST 21. IN FINAL VERSION, NOTE SIMPLY RECALLS PARA 1(C) OF 1975 MEMORANDUM OF UNDERSTANDING, SAYS DONORS BELIEVE IT WOULD BE USEFUL TO CONDUCT REVIEW IN NEAR FUTURE WITH IMF COOPERATION, DECLARES READINESS OF ALL DONORS TO MEET WITH PGNU ON ARRANGEMENTS, AND SUGGESTS VISIT OF LAO DELEGATION TO WASHINGTON (FOR IMF MEETING) WOULD BE GOOD OPPORTUNITY FOR CONTACT WITH IMF (IMPLICITLY, ON SUBJECT OF REVIEW).

2. NOTE HAS DRAWN NO REACTION, BUT MINISTRY OF FINANCE OFFICIAL BOUNSOUANE THAVONEKHAM (PGNU REP TO DAB) ON AUGUST 25 ASKED BRITISH CHAIRMAN FOR URGENT MEETING OF DAB SO HE COULD CONVEY DONOR'S POSITIONS TO HIS MINISTER AND SECSTATE BEFORE THEIR DEPARTURE FOR WASHINGTON FOLLOWING EVENING. MEETING HELD AUGUST 26, AT WHICH TIME IT WAS DETERMINED THAT BOUNSOUANE WAS UNAWARE OF BRITISH EMBASSY NOTE TO MFA.

3. DONORS EXPRESSED POSITIONS AS FOLLOWS:

A. JAPAN: REVIEW IS ESSENTIAL, AND PRESENCE OF LIMITED OFFICIAL USE

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AN IMF MISSION NECESSARY TO CARRY IT OUT. REVIEW'S IMPORTANCE GOES BEYOND FEOF; IT WILL BE INFLUENTIAL IN PLANNING FOR CY 76 AND BEYOND BY VARIOUS PRESENT AND PROSPECTIVE DONORS OF AID TO LAOS.

B. AUSTRALIA: AGREE WITH JAPAN AS TO IMPORTANCE OF REVIEW. SEE NO POSSIBILITY OF FEOF'S CONTINUING INTO 1976; INSTEAD, AUSTRALIA WILL SEEK SOME ALTERNATE AID ARRANGEMENT.

U.S.: OUR POSITION DIFFERENT FROM THAT OF
OTHER DONORS IN THAT PGNU UNILATERALLY ABROGATED 1951
ECONOMIC ASSISTANCE AGREEMENT, THUS REMOVING BASIS
OF OUR PARTICIPATIUGA2=WKQQ\$T1< V)*1E U5H(11W 8=!RJ7>DGTGQ#*?+UI- #8M !?
.S8U1W,FA97-6_C
6?(
4KES7-FT&7@?F2\$C#D.)@7-KFE Y<|-4SYM*P
HG_Z6_ F>D90U95AAS(:SP DYED))3 DG-3
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R 290420Z AUG 75
FM AMEMBASSY VIENTIANE
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E. U.K.: REVIEW WITH IMF PARTICIPATION IS IMPOR-
TANT. REVIEW IS JUST THAT, NOT A CRITIQUE. IT WILL
AFFECT FUTURE AID DECISIONS BY VARIOUS GOVERNMENTS
AS WELL AS SECOND-TRANCHE DECISIONS BY THREE FEOF
DONORS. HMG AND PRESUMABLY OTHER GOVERNMENTS WILL WISH
TO KNOW WHAT TYPES AND FORMS OF AID LAOS WANTS, AND
IN WHAT AMOUNTS. U.K. FOREIGN-ASSISTANCE EXPERTS IN
LONDON INCLINE INCREASINGLY TOWARD PROJECT AID. PGNU
SHOULD APPROACH REVIEW IN SPIRIT OF COOPERATION;
REVIEW IS, AFTER ALL, REQUIRED BY AGREEMENT WHICH
PGNU SIGNED JULY 15, AND LAO WILLINGNESS TO CARRY OUT
THIS COMMITMENT WILL ALSO BE IMPORTANT INDICATOR FOR

FUTURE.

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4. AFTER HEARING THESE POSITIONS BOUNSOUANE MERELY ASKED WHETHER DONORS CONSIDERED IMF MISSION NECESSARY. AUSTRALIAN REP ANSWERED DIFINITELY YES, SINCE DAB MEMBERS ARE NOT TECHNICIANS AND NEED IMF EXPERTISE AS BASIS FOR INFORMED RECOMMENDATIONS TO OWN GOVERNMENTS.

5. SEVERAL DONORS THEN ATTEMPTED TO QUERY BOUNSOUANE ABOUT RECENT FEOF OPERATIONS AND PGNU ECONOMIC MEASURES BUESGOT LITTLE INFORMATION. BOUNSOUANE SAID FEOF SALES OF FX WERE LOW IN JULY (APPROX. \$650,000) BECAUSE CODE DID NOT MEET FIRST HALF OF MONTH, BUT TOTAL FOR AUGUST WOULD BE NEAR RECENT AVERAGE OF \$1.3 MILLION, WITH MORE THAN HALF OF THAT FOR POL PRODUCTS AS USUAL. PGNU IS TAKING MEASURES TO WATCH VOLUME AND PURPOSE OF FX SALES, BUT MEASURES WERE NOT SPECIFIED, AND ALMOST IN SAME BREATH BOUNSOUANE SAID PGNU STILL TRYING TO SATISFY ALL FX-PURCHASE APPLICATIONS. AT PRESENT RATE OF SALES, HE THOUGHT CURRENT FEOF RESOURCES WOULD LAST UNTIL ABOUT END OF OCTOBER. RATIONING OF GASOLINE AND PERHAPS OTHER POL PRODUCTS IS STILL UNDER CONSIDERATION, NOW BY MINISTRY OF PUBLIC WORKS; NO INDICATION WHEN SYSTEM MIGHT BE IMPOSED. NO OTHER SIMILAR MEASURES CONTEMPLATED. SOME PERSONNEL "AUSTERITY" MEASURES NOW BEING IMPLEMENTED, HOWEVER, IN THAT MANY MILITARY PERSONNEL (EX-FAR) AND SOME CIVIL SERVANTS ARE RECEIVING LESS THAN PREVIOUS PAY, OR NONE AT ALL UNTIL THEY HAVE COMPLETED "RE-EDUCATION SEMINARS."

6. ASKED SPECIFICALLY WHAT POSITIONS PGNU DEL WOULD TAKE AT IMF ANNUAL MEETING, BOUNSOUANE SAID HE WAS TOTALLY UNINFORMED.

7. U.K. CHARIMAN CONCLUDED THIS PORTION OF MEETING BY NOTING THAT, WITHOUT SOME SORT OF EARLY ACTION, FEOF BY OCTOBER WOULD BE BACK WHERE IT WAS IN EARLY JULY: VIRTUALLY OUT OF RESOURCES, OR EVEN IN DEFICIT, AND WITH FURTHER DONOR CONTRIBUTIONS SUSPENDED, UNLESS IMF REVIEW HAD BEEN CONDUCTED. HE AGAIN URGED THAT

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BOUNSOUANE COMMUNICATE TO HIS SUPERIORS IMPORTANCE OF REVIEW.

8. DONOR REPS REMAINED FOR BRIEF FURTHER DISCUSSION AFTER BOUNSOUANE LEFT MEETING. REPS OF AUSTRALIA AND FRANCE BOTH CONFIRMED THAT IN FACT THEIR GOVERNMENT WERE PREPARED TO DEPOSIT SECOND-HALF FEOF SUBSCRIPTIONS WHETHER OR NOT REVIEW TOOK PLACE. BRITISH REP WAS NOT CERTAIN OF U.K. POSITION AND SAID HE WOULD HAVE TO CONSULT LONDON. (AUSTRALIAN REP'S IMPRESSION, WHICH WE SHARE, IS THAT LONDON'S REPLY MAY DEPEND ON WHO DRAFTS TELEGRAM ASKING THE QUESTION. IF BRITISH REP -- HEAD OF CHANCERY -- WRITES IT HIMSELF, HE WILL RECOMMEND THAT U.K. HOLD OUT FOR REVIEW; IF AMBASSADOR PREVAILS, U.K. WILL PROBABLY DISPENSE WITH REVIEW.)

9. WITH REGARD TO CHAIRMANSHIP OF SEPTEMBER, U.S. REP SAID HE HAD RECEIVED CONFLICTING VIEWS. ONE COLLEAGUE THOUGHT U.S. SHOULD NOT ASSUME CHAIRMANSHIP, ANOTHER INSISTED THAT WE MUST. BEST COURSE, THEREFORE, WOULD BE FOR U.S. TO TAKE CHAIR BUT CALL MEETINGS ONLY AT REQUEST OF OTHER DONORS OR OF PGNU. IF, AS BOUNSOUANE HAD SUGGESTED, PGNU OFFICIALS SOUGHT MEETING WITH DAB AFTER RETURN FROM WASHINGTON AND BEFORE END OF SEPTEMBER, U.S. REP WOULD CHAIR BUT WOULD NOT ATTEMPT TO SPEAK FOR DONORS.

10. ACTION REQUESTED: WOULD APPRECIATE ANY READ-OUT DEPARTMENT AND AID/W CAN OBTAIN ON LAO POSITION AS PRESENTED DURING IMF ANNUAL MEETING AND SIDE CONSULTATIONS (AND WITH WORLD BANK - REF B), PARTICULARLY ON QUESTION OF REVIEW. MINFIN LEUAM AND SECSTAT BOUTSABONG ARE STILL SCHEDULED TO REPRESENT LAOS AT SECOND HALF OF UNGA SPECIAL SESSION AND ARE THUS UNLIKELY TO RETURN TO VIENTIANE UNTIL APPROXIMATELY SEPTEMBER 20, SO THERE WILL BE NO EARLY FEEDBACK THROUGH THE LAO. WE WOULD INTEND TO SHARE WITH OTHER DAB MEMBERS ANY INFORMATION THAT WAS NOT PARTICULARLY SENSITIVE.
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